

Tax Facts

Year-end Tax Filing Questions? We Can Help!

Internet Services

dor.wa.gov

Use our web site to find all the resources you'll need to complete and file your excise tax return. You can also update or change your business information or close your business online. Simply click on the "Doing business" tab, then select "My account" and log in.

Automated Telephone Services

1-800-647-7706

Our toll-free automated services provide many options that allow you to:

- Order forms and information
- Change address information
- Close your business account
- Make other changes to your account

Telephone Information Center

1-800-647-7706

Call us for assistance from 8 a.m. to 5 p.m., Monday through Friday. In January, the phone lines get very busy. To avoid a long wait, call early in the month. Other helpful tips include:

- Have your UBI/tax registration number available. This nine-digit number is printed on your tax return, above the name and address label.
- Know the type of return you've received – Combined Excise Tax Return, Business and Occupation Activities Tax Return, or Retailing and Other Activities Tax Return.
- Have your gross income figures (not including any sales tax collected) available to complete the return.
- Stay on the line and be patient – we answer every call in the order received.

Inside

Tax Return Tips	2	Rule Making.....	4
Disc Jockey and Karaoke Services	2	Changes to Interpretive/Policy Statements.....	5
Federal Tax Deductions for State Sales and Property Taxes	3	Special Notices	6
Nonprofit and Wine Industry Guides Now Online	3	Limited Sales Tax Exemption for Certain "Green" Vehicles.....	7
Tax Research Tools and Resources	4	Tax Workshops.....	7

Tax Return Tips

Note: You must file a tax return, even if you had no business activity or don't owe any tax.

Completing and filing your return

- Register to file electronically at <http://dor.wa.gov> under "My account" to simplify your tax return filing.
- If you can't E-file, use the tax return we mailed to you. Use black ink to complete the paper return – the numbers are easier to read.
- Tax return reporting instructions are mailed with most returns, and are available on our web site.
- Mail your completed return so the envelope is postmarked no later than January 31, 2009, for quarterly and annual filers, January 26 for monthly filers.
- You can also hand deliver returns to any of our 12 local offices on or before the due date. For locations, see the back of this publication.

If you had no business activity or owe no taxes

- File a "no business" return online.
- Tele-file a "no business" return using our automated telephone service at 1-800-647-7706.
- File a "no business" paper return by checking the "no business activity" box on the front of the form.

Local sales/use tax changes

- To find or confirm a location code and tax rate, see the Local Sales and Use Tax Rate and Changes Flyer included with your tax return or find it on our web site. Select "Find taxes and rates" from our home page, then select "List of sales and use tax rates."
- You can also find the correct tax rate and location code using our online Tax Rate Lookup Tool at taxrates.dor.wa.gov.

Small business B&O tax credit

- Don't forget to check if you qualify to take the Small Business B&O Tax Credit. Instructions and a chart to calculate the credit are included with your tax return.

Calculate the litter tax

- Retailers, wholesalers, and manufacturers of certain products owe litter tax on their gross sales of such products. For more details, see WAC 458-20-243. Access the WACs from our home page under "Find a law or rule."
- Need help determining whether you owe litter tax? Call our Telephone Information Center at 1-800-647-7706.

Check Out E-file

Find out how flexible online filing can be.

E-file is fast, secure and simple to use. It also allows you to file your return early and, with electronic funds transfer, schedule your payment for the due date.



<http://dor.wa.gov>

Need help? 1-877-345-3353

Disc Jockey and Karaoke Services

Are charges for disc jockeys (DJs) or karaoke hosts subject to retail sales tax?

To answer this question, you must determine the true object of hiring a DJ or karaoke host. Is it to operate the necessary equipment or is it for the atmosphere and entertainment the DJ or karaoke host provides?

Generally, the DJ or karaoke host is hired to create the appropriate atmosphere for an event. This can be accomplished in a number of ways, including selecting the proper music, choosing appropriate games, being the master of ceremonies, and interacting with the crowd. The DJ or karaoke host uses his or her equipment (sound system, lighting system, microphones, etc.) to provide this service.

Mobile DJs and karaoke hosts generally travel with portable sound systems and equipment and perform at a variety of events. Customers that hire such businesses are not simply purchasing a person to operate the equipment. Instead, they are purchasing the knowledge, skills and expertise of the operator beyond those needed to merely operate the equipment. The equipment is not as important as the atmosphere the DJ or karaoke host creates.

We find the true object when purchasing DJ or karaoke host is generally entertainment.

Thus, charges by DJs or karaoke hosts are not subject to retail sales tax. Instead, the gross income earned from DJ or karaoke services is subject to B&O tax under the service and other activities classification.

Federal Tax Deductions for State and local Sales and Property Taxes

The Emergency Economic Stabilization Act passed by Congress and signed into law by President Bush on October 3, 2008, extends the federal income tax deduction for Washington sales tax that allows residents to deduct state sales taxes on their federal tax returns if they itemize deductions. The Act also allows a standard deduction for property taxes that is available to all homeowners, regardless of whether they itemize their deductions on their federal tax returns.

Sales Tax Deduction

When is the sales tax deduction effective?

The deduction was extended for two years and is available through the 2009 tax year.

Who can take the sales tax deduction?

The deduction is available only to taxpayers who itemize their deductions on their federal tax returns, not those who take the standard deduction.

What are the state and local sales tax rates?

The state sales tax rate is 6.5% and the local sales tax rate varies. See our list of local tax rates to find the rate at your residence.

What about the RTA Tax?

The Regional Transit Authority (RTA) tax qualifies for the federal sales tax deduction. The RTA tax is a part of the general sales tax in much of Snohomish, King, and Pierce Counties. Take a look at our local tax rate chart to see the tax rate for locations located within the RTA.

Can I deduct tax on gas or diesel?

No. The tax on gasoline and diesel for on-road use is not a sales tax. The federal deduction is for sales tax only.

What about the additional sales tax on motor vehicles?

The additional 0.3% tax that applies to sales of motor vehicles is not deductible, since this tax only applies to one class of property.

Property Tax Deduction

The Act also allows individuals to take a standard deduction for property taxes of up to \$500 for a single return and \$1,000 for a joint return. This extends the deduction enacted in the 2008 housing assistance act through 2009. The Department, working with the Washington Legislature House Finance Committee, estimates this deduction will save 863,000 Washington households \$108 million for federal tax year 2008 and 877,000 households \$113 million for federal tax year 2009.

Most of the benefit will be seen by homeowners who don't itemize because they don't have sufficient deductions, including seniors who have little or no mortgage interest to deduct. More than 62 percent of Washington residents do not itemize their deductions on their federal tax returns. More information on the deduction is available at <http://waysandmeans.house.gov/media/pdf/110/eresummary.pdf>.

New Nonprofit and Wine Industry Guides Now Online

We've recently developed and posted on our web site two comprehensive guides – a Nonprofit Organization Guide and a Wine Industry Guide.

Nonprofit organizations, as well as businesses that make sales or provide services to them, often have questions on their excise tax obligations. Washington's wine industry is involved in numerous activities, including farming, manufacturing, and sales. Our comprehensive guide provides information on the excise tax obligations from each type of activity in the wine industry.

You can find the Nonprofit Industry Tax Guide and Wine Industry Tax Guide on our web site under "Doing business," and "Business types."

New

Tax Research Tools and Resources

Tax Research Index Debut

In response to requests from tax professional users seeking improved tax research tools, the Department developed and recently posted a new Tax Research Index on our web site.

This new tool allows you to search for laws (RCW), rules (WAC), tax advisories (ETAs), Washington Tax Decisions (WTDs), Special Notices, and other documents providing tax guidance by excise tax rule. For instance, if you want to view all of the applicable tax information pertaining to public road construction, simply look under "WAC 458-20-171." The information is provided in a consistent format, so it is easy to follow.

From our home page dor.wa.gov, select "find a law or rule," then select "Tax Research Index."

Tax Topics Articles Revived

We've also dusted off some old, but still relevant and helpful information from the Department's old Tax Topics publications. Tax Topics was published from 1985 to about 1995 and provided specific tax application information on a variety of topics. Now you can find and review these articles on our web site. In addition, we will post new tax application information to this location, as new issues arise.

From our home page dor.wa.gov, select "get a form or publication," then select "Tax Topics" under the Publications list on the right side of the screen.

Online Service Allows for Quick, Easy Information Updates

At dor.wa.gov, you'll find My account, a secure site where you can easily update your contact information, business address, phone and fax numbers and email addresses. Also available is E-file, our online tax filing system. It's quick, it's easy and it's safe. Create your account and take advantage of all these tools.

Rule Making

Following is a listing of the Department of Revenue's recent tax rule adoptions and repeals. For specific information on the rule changes, to obtain a copy of a newly adopted rule, or for more information regarding how these rules may affect you, contact us online at <http://dor.wa.gov> and click on "Find a rule or law", then one of the bullets under "Rule making." You may also call our Telephone Information Center at 1-800-647-7706.

Excise tax rules (WAC) adopted or amended:

- 458-20-101 Tax registration and tax reporting. Effective August 31, 2008.
- 458-20-102 Resale certificates. Effective November 16, 2008.
- 458-20-107 Requirement to separately state sales tax--Advertised prices including sales tax. Effective July 21, 2008.
- 458-20-110 Delivery charges. Effective July 21, 2008.
- 458-20-126 Sales of motor vehicle fuel, special fuels, and nonpollutant fuel. Effective August 29, 2008.
- 458-20-13601 Manufacturers and processors for hire--Sales and Use tax exemption for machinery and equipment. Effective July 21, 2008.
- 458-20-145 Local sales and use tax. Effective June 30, 2008.
- 458-20-150 Optometrists, ophthalmologists, and opticians. Effective August 30, 2008.
- 458-20-168 Hospitals, nursing homes, boarding homes, adult family homes and similar health care facilities. Effective August 30, 2008.
- 458-20-174 Sales of motor vehicles, trailers, and parts to motor carriers operating in interstate or foreign commerce. Effective July 21, 2008.
- 458-20-177 Sales of motor vehicles, campers, and trailers to nonresident consumers. Effective August 29, 2008.
- 458-20-217 Lien for taxes. Effective August 31, 2008.
- 458-20-229 Refunds. Effective July 24, 2008.
- 458-20-238 Sales of watercraft to nonresidents--Use of watercraft in Washington by nonresidents. Effective July 21, 2008.
- 458-20-250 Solid waste collection tax. Effective July 21, 2008.

- 458-20-255 Carbonated beverage syrup tax. Effective July 21, 2008.
- 458-20-262 Retail sales and use tax exemptions for agricultural employee housing. Effective July 21, 2008.
- 458-20-270 Telephone program excise tax rates. Effective August 30, 2008.
- 458-20-27702 Taxing relief -- Sourcing compliance -- One thousand dollar credit and certified service provider compensation for small business. Effective July 27, 2008.

Property tax rules (WAC) adopted or amended:

- 458-07-035 Listing of property - Subdivisions and segregation of interests. Effective August 30, 2008.
- 458-14-015 Jurisdiction of county boards of equalization. Effective August 30, 2008.
- 458-16-115 Personal property exemptions for household goods, furnishings, and personal effects, and for the head of a family. Effective August 30, 2008.
- 458-16A-010 Nonprofit homes for the aging. Effective August 30, 2008.
- 458-16A-020 Nonprofit homes for the aging - Initial application and annual renewal. Effective August 30, 2008.
- 458-16A-100 Senior citizen and disabled person exemption -- Definitions. Effective August 31, 2008.
- 458-16A-110 Senior citizen, disabled person, and one hundred percent disabled veteran exemption - Gross income. Effective August 31, 2008.
- 458-16A-115 Senior citizen, disabled person, and one hundred percent disabled veteran exemption - Adjusted gross income. Effective August 31, 2008.
- 458-16A-120 Senior citizen, disabled person, and one hundred percent disabled veteran exemption - Determining combined disposable income. Effective August 31, 2008.
- 458-16A-150 Senior citizen, disabled person, and one hundred percent disabled veteran exemption - Requirements for keeping the exemption. Effective August 31, 2008.

- 458-18-010 Deferral of special assessments and/or property taxes -- Definitions. Effective September 1, 2008.
- 458-18-020 Deferral of special assessments and/or property taxes - Qualifications for deferral. Effective August 31, 2008.
- 458-18-100 Deferral of special assessments and/or property taxes - When payable-Collection - Partial payment. Effective August 31, 2008.

Forest tax rules (WAC) adopted or amended:

- 458-40-660 Timber excise tax -- Stumpage value tables -- Stumpage value adjustments. Effective July 1, 2008.

Changes to Interpretive/Policy Statements

The Department issues interpretive and policy statements, such as Excise Tax Advisories and Property Tax Advisories, to explain how tax applies to a specific set of facts or to address specific issues. These statements are issued or cancelled periodically based primarily on changes in the tax law. Statements that are cancelled can no longer be relied upon for tax application.

Excise tax advisories adopted:

- 2002.16.179 (Tenth Revision) Low density light and power utility deduction. Effective June 20, 2008.
- 2029.04.245 (First Revision) Retail sales taxes imposed on telecommunications used to provide internet access. Effective June 25, 2008.
- 2043.04.190 Occupational medicine services and the preferential B&O rate under RCW 82.04.263. Effective September 23, 2008.

Property tax advisories adopted:

- 15.0.2008 Low income housing valuation. Effective October 31, 2008.

Special Notices

The following Special Notices were issued in the last six months. These notices discuss current issues as well as changes resulting from new legislation. They are available online at <http://dor.wa.gov> under "Find taxes and rates" under "Forms and publications." You may also call 1-800-647-7706 to have a copy sent to you.

Aerospace

Aerospace manufacturers tax incentives. Issued June 13, 2008.

Aerospace tooling manufacturers tax incentives. Issued June 13, 2008.

Non-manufacturer aerospace incentives. Issued June 13, 2008.

Tax incentives for federal aviation regulation part 145 repair stations. Issued June 13, 2008.

Direct Mail

Direct mail and the destination-based sales tax. Issued October 14, 2008.

Energy Efficient Commercial Equipment

Energy efficient commercial equipment. Issued June 24, 2008.

Florists

Qualifying florists exempt from destination sales tax sourcing. Issued June 5, 2008.

Gas Stations

Gasoline service stations – B&O tax credit for alternative power generation device purchases. Issued June 19, 2008.

Hybrid Vehicles

New sales and use tax exemptions for high mileage hybrid and clean alternative fuel vehicles. Issued August 22, 2008.

Newspapers

Advertising income from electronic version of printed newspaper now taxed under printing and publishing classification. Issued June 9, 2008.

Penalty/Interest Waivers

Penalty and interest waivers for active duty military personnel. Issued June 24, 2008.

Prescription Drugs

Prescription drugs – Lower tax rate for warehousing and reselling. Issued October 2, 2008.

Property Tax

2008 Legislation updates – Levy lid lift, establishing taxing district boundaries, beach management districts, binding site plans. Issued August 27, 2008.

Adding new value to the assessment rolls. Issued September 29, 2008.

Building permits in relation to adding value of new construction. Issued September 15, 2008.

Taxing district levy certification. Issued July 15, 2008.

Timber Products

Timber activities – Reduced business and occupation tax rates. Issued September 29, 2008.

Tobacco

Cigarettes sold in Washington required to be reduced ignition propensity certified. Issued August 8, 2008.

Trail Grooming

Trail grooming – Sales tax exemption. Issued June 26, 2008.

US Government

Sale to Tax exempt sales to the US government. Issued September 19, 2008.

Vegetable Oil

Waste vegetable oil exemption. Issued June 12, 2008.

Vessels

Vessels and nonresident individuals tax exemptions and use permit. Issued Nov. 7, 2008

Yoga Classes

The Department of Revenue, with the assistance of stakeholders, recently conducted an in-depth analysis of the tax treatment of yoga, tai chi, and qi gong. We anticipate announcing our findings and providing future tax reporting instructions for businesses providing such classes on our web site by December 1, 2008. Look under the "More Information" heading on our web site at dor.wa.gov for specific information.

Limited Sales Tax Exemption for Certain “Green” Vehicles

Beginning January 1, 2009, purchases of some new, energy efficient vehicles may be exempt from Washington sales tax, use tax, and motor vehicles sales/use tax.

What vehicles qualify?

Purchases of new passenger cars, light duty trucks, and medium duty passenger vehicles that are either:

- powered exclusively by a clean alternative fuel, such as natural gas, propane, hydrogen or electricity.
- use hybrid technology and have a U.S. Environmental Protection Agency (EPA) estimated highway gasoline mileage rating of at least 40 miles per gallon (m.p.g.).

How long will the exemption last?

Qualifying vehicles must be delivered on or after January 1, 2009, and before January 1, 2011. The sales tax exemption ends after December 31, 2010. A vehicle is “delivered” for purposes of the exemptions when the purchaser takes possession of the vehicle.

Any payment or deposit made toward purchasing a qualifying vehicle before the January 1, 2009, effective date qualifies for the tax exemption, as long as the vehicle is registered, titled, and delivered during the qualifying time period.

More information

For comprehensive information on this limited exemption, please see our Special Notice “New Sales and Use Tax Exemptions for Clean Alternative Fuel and High Gas Mileage Vehicles.” We plan to adopt a new administrative rule, WAC 458-20-279, by the end of the year, to further explain and assist in administering the new laws.

Our Workshops are Free

See our web site at dor.wa.gov

Tax Workshops

We offer workshops free of charge throughout the state. To view the schedule or for more information, visit our web site at <http://dor.wa.gov>, click on “Workshops and education” from the menu on the left side. Once you find the workshop that’s right for you, register online or call us to sign up.

Business Outreach

Learn the basics of Washington State taxes. As a small business or new business owner, this workshop will help you understand your tax reporting responsibilities.

Construction Industry

This workshop offers an in-depth discussion of taxes and custom construction, speculative building, government contracting, public road construction, and more. Workshops are scheduled in February and March 2009 at locations throughout the state.

02/11/09 **Vancouver** **10:00 a.m. - 12:00p.m.**

Water Resources Education Center
City of Vancouver, Community Room
4600 SE Columbia Way, Vancouver

03/11/09 **Bellingham** **10:00 a.m. - 12:00p.m.**

Quality Inn Baron Suites
The Atlantis Room
100 E Kellogg Road, Bellingham

03/17/09 **Spokane** **10:00 a.m. - 12:00p.m.**

Ramada Spokane Airport
Conference Room
8909 W Airport Drive, Spokane

03/ 24/09 **Yakima** **10:00 a.m. - 12:00p.m.**

Clarion Hotel and Conference Center
The Harrah Room
1507 N 1st Street, Yakima

To register visit dor.wa.gov
or call 1-800-647-7706

Taxpayer Services Division

Washington State Department of Revenue

PO Box 47478

Olympia, WA 98504-7478

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PORT ANGELES 98362-3605
(360) 417-9900

20819 72nd Ave South
Suite 680
KENT 98032-2390
(253) 437-3440

6500 Linderson Way SW
Suite 102
TUMWATER 98501-7478
(360) 705-6676

8008 NE 4th Plain Blvd
Suite 320
PO Box 1648
VANCOUVER 98668-7251
(360) 256-2060

9930 Evergreen Way
Suite Y-150
EVERETT 98204-3893
(425) 356-4800

1330 N. Washington
Suite 5600
SPOKANE 99201-2456
(509) 327-0200

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PO Box 220
WENATCHEE 98801-6622
(509) 663-9714

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TACOMA 98405-1605
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